

*Board of Trustees Meeting*

Thursday, June 22, 2000, 9:30 a.m.  
Utah Association of Counties Building

A G E N D A

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9:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of May Minutes	Gary Herbert
	Review of Sub-Lease Purchase Agreement	Brent Gardner
	Director's Report	Shawn Guzman
	Broker's Report	Rich Stokluska
11:30	Lunch Break	
	Summary of Financial Statements	Shawn Guzman
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
1:30	Adjourn	



## UACIM BOARD OF TRUSTEES MEETING MINUTES

June 22, 2000, 9:30 a.m.  
Utah Association of Counties Building

### BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner  
Dan McConkie, *Vice President*, Davis County Commissioner  
Sarah Ann Skanchy, *Secretary-Treasurer*, Cache County Council Member  
Chad Johnson, Beaver County Commissioner  
Ty Lewis, San Juan County Commissioner  
Royal Norman, Box Elder County Commissioner  
Tex Olsen, Sevier County Commissioner  
Kent Sundberg, Utah County Deputy Attorney

### BOARD MEMBERS ABSENT

Ken Bischoff, Weber County Commissioner  
Kent Petersen, Emery County Commissioner  
Ed Phillips, Millard County Sheriff

### OTHERS PRESENT

Brent Gardner, UAC Executive Director  
Shawn Guzman, UACIM Director  
Sonya White, UACIM Administrative Assistant  
Jeff Powell, McLarens Toplis Claims Manager  
Rich Stokluska, GRMS Account Executive

### CALL to ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

### REVIEW of BOARD MEMBERS ABSENT

Ken Bischoff requested to be excused from this meeting due to a family matter. Kent Petersen requested to be excused due to a meeting conflict. Ed Phillips had not contacted UACIM staff regarding his absence. Sarah Ann Skanchy made a motion to excuse Ken Bischoff and Kent Petersen from this meeting. Chad Johnson seconded the motion, which passed unanimously.

### APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held May 25, 2000 were previously sent to the Board Members for review. Chad Johnson made a motion to approve the minutes as written. Ty Lewis seconded the motion, which passed unanimously.

### DIRECTOR'S REPORT

McLarens Toplis. Shawn Guzman reported that yesterday he met with Steve Morsony, Robert Haas, John Duncker and Frank Strenk of the McLarens Toplis Chicago office. They announced that the Sacramento office will be closed permanently as of June 22 and that the UAC Insurance Mutual account will be handled directly through the Chicago office. John Duncker has replaced Curt Hamby as the manager over the UACIM account.



County Driver Motor Vehicle Reports. UACIM received a confirmation letter from the Utah Driver License Division stating that the Mutual, as a government agency, is a qualified requester under permissible use #1 to receive motor vehicle report (MVR) information (see attachment #1). Shawn reported that as a governmental agency, UACIM can obtain MVRs on the State of Utah's website at no charge. He and Sonya White have been issued access to this function in order to assist counties in obtaining these reports. As of today, Carbon, Piute, Rich, Washington and Wayne Counties have not submitted their reports. Because the *Coverage Agreement* states that the receipt of MVRs is a condition of coverage, Dan McConkie made a motion to extend the receipt date to August 1. Tex Olsen seconded the motion, which failed 4-3. During the meeting, Brent Gardner phoned the insurance coordinators of the counties who have not submitted their MVRs and was assured that the reports are in the mail. Due to concerns regarding coverage conditions and the defining of points, Sarah Ann Skanchy made a motion directing Shawn to redraft *Section III* of the *Coverage Agreement* for review by the Board at the next meeting. The motion was seconded and passed with Dan McConkie opposing.

Premium Formula. Shawn reported that he would have 2001 premium formula scenarios for the Board to review at the August meeting. Brett Rich had suggested that the 7% overall cap be eliminated and more weight be given to exposures rather than losses. Shawn suggested that factoring both on the 2001 formula would affect the premium too much in one year. Another consideration in the formula is to eliminate the payments made to coverage attorneys from the losses of a county.

Training Priority. Pursuant to the direction of the Board at the May 25 meeting, Shawn has compiled a listing of training most needed within the Mutual (see attachment #2). By ranking the percentage of claims by department and by claim type the priorities are listed as 1) Auto, 2) Law Enforcement, 3) Personnel, 4) Planning and Zoning and 5) Building/Property Inspections. Shawn listed the training currently offered by the Mutual in these areas. The Board decided that planning and zoning should be ranked as high as personnel. Also, a meeting was scheduled for July 28 to meet with member county officials, who are serving on the Utah Local Governments Trust (ULGT) Board, to alleviate concerns regarding ULGT training UACIM members.

#### REVIEW of SUB-LEASE PURCHASE AGREEMENT

Brent Gardner reported that the draft sub-lease agreement was received from Ballard Spahr Andrews and Ingersoll. He, Shawn Guzman and Kent Sundberg are in the process of reviewing the draft. The Board felt there was no need to assemble the Committee to review since the concept of the agreement was the same as recommended. Brent, Shawn and Kent will schedule to meet with Ballard Spahr to finalize the draft for the Board's review at the next meeting.

#### BROKER'S REPORT

Reliance Insurance Company. Rich Stokluska reported that effective June 12, 2000, A.M. Best downgraded Reliance Insurance Group from an A- to a B++ standing in their claims paying ability. Arthur J. Gallagher is marketing the Mutual's 2001 renewal information but the Board must decide whether they want to continue the 2000 contract with Reliance or change carriers mid-term. Rich explained that Reliance has a "tail treaty" with a carrier to cover them until the end of 2000. The Mutual may receive a short-rate penalty if the Reliance contract is cancelled mid-term. The Board directed Rich to clarify these options and report to the Board at the next meeting.

Tenant User Liability Insurance Program. In anticipation of marketing a new Tenant User Liability Insurance Program (TULIP), Rich asked the Board and staff for their input as to what they expect from a provider? Brett Rich and Sonya White reviewed a sample application Rich previously faxed but it was too long (three pages) and required lengthy information about the facility being used. Sonya White suggested that the provider set a premium for the types of events that are being held in the counties. She also suggested an online, simple, short application. Kent Sundberg made a motion directing Rich to market a new provider for TULIP (working out any concerns with Shawn Guzman and Sonya White). Ty Lewis seconded the motion, which passed unanimously.

#### SUMMARY of FINANCIAL STATEMENTS

The financial statements for the month ending April 2000 were previously sent to the Board for review. Shawn Guzman reviewed that the excess receivables are up to \$102,676 (the amount owed by AIG). AIG has not responded to Brett Rich's letter dated June 5 requesting payment to be made within 10 days or notice given as to when AIG proposes to





review the files. In absence of a response, UACIM will take appropriate legal action. Surplus is at \$3,577,189, a \$61,422 increase from March. Net Income (page four) is up to \$179,710. Net investment income received (page six) is at \$192,192. Cash and short-term investments are at \$1,682,949. Note five on page nine states the Insurance Commissioner's approval to pay the remaining principal and accrued interest on the surplus notes. The budget comparison (page twelve) shows investment income at 48% with the year only 33.3% complete. The Mutual is receiving a high rate of return with the Public Treasurer Investment Fund (PTIF), considering the investment limitations placed on government agency investments by Utah law. Most county treasurers are investing through PTIF. The Board accepted the April financial statements as presented.

#### SET DATE and TIME for CLOSED MEETING

Chad Johnson made a motion to set the date and time for a closed meeting to begin at 11:55 a.m. on June 22, 2000, to discuss pending or reasonably imminent litigation. Royal Norman seconded the motion, which passed unanimously.

Sarah Ann Skanchy made a motion to conclude the closed meeting at 12:25 p.m. on June 22, 2000. Dan McConkie seconded the motion, which passed unanimously.

#### ACTION on LITIGATION MATTERS

Kent Sundberg made a motion to ratify the endorsement of the AIGTS check issued to the Mutual, involving claim number 801BOX955001, and returned to Defense Attorney Porter on May 31, 2000. Sarah Ann Skanchy seconded the motion, which passed unanimously.

#### SET DATE and TIME for CLOSED MEETING

Sarah Ann Skanchy made a motion to set the date and time for a closed meeting to begin at 12:35 p.m. on June 22, 2000, to discuss the character, professional competence or physical or mental health of an individual. Chad Johnson seconded the motion, which passed unanimously.

Chad Johnson made a motion to conclude the closed meeting at 12:40: p.m. on June 22, 2000. Dan McConkie seconded the motion, which passed unanimously.

#### OTHER BUSINESS

Brent Gardner reported that the job announcement has been written for the Loss Control Manager position. The Board directed Brent to post the announcement and schedule to review the applicants at the August Board meeting.

Tex Olsen suggested that either the Utah Association of Counties or the UAC Insurance Mutual should consider a self-insured health coverage program for counties. The school district has a program that seems to be working well. Another option is to negotiate a contract with Public Employees Health Program (PEHP). Brent Gardner was directed to set-up a meeting with PEHP to explore this option. Board members and staff that will attend this meeting are Dan McConkie, Kent Sundberg, Tex Olsen, Brent Gardner and Shawn Guzman. Rich Stokluska will schedule the Director of the AJG Benefits Department to attend the next Board meeting.

The next meeting of the Board of Trustees will be held on Thursday, July 27, 2000 at 9:30 a.m. at the Utah Association of Counties building.

Approved on July 27, 2000



Sarah Ann Skanchy, UACIM Secretary-Treasurer  
Cache County Council Member





**AFFIDAVIT OF GARY R. HERBERT**

STATE OF UTAH                                 )  
                                                              :SS  
COUNTY OF SALT LAKE                     )

Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.

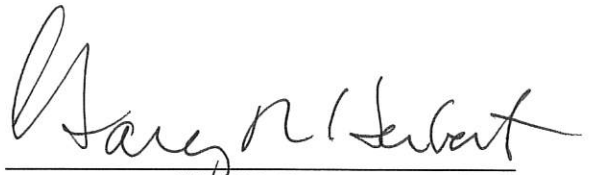
2. That the Affiant, on or about the 22 day of June, 2000, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

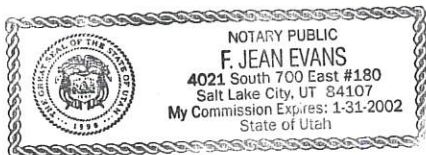
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

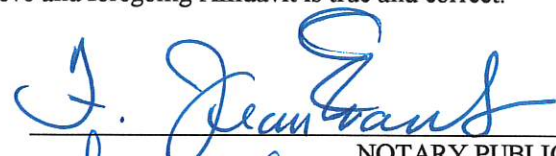
FURTHER, Affiant saith not.

DATED this 22 day of June, 2000.

  
\_\_\_\_\_  
GARY R. HERBERT, President  
Utah Association of Counties Insurance Mutual

On the 22nd day of June, 2000, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



  
\_\_\_\_\_  
NOTARY PUBLIC  
Residing at: Salt Lake City, Ut  
My Commission Expires: Jan. 31, 2002



**MEMORANDUM**

To: All UACIM Insurance Coordinators  
From: Shawn Guzman  
Date: June 14, 2000  
Re: MVRs for county drivers

As many of you know, the statute governing the disclosure of driver's license information was amended in the last legislative session. Some of you have been told that you would no longer be able to receive information from the Utah State Driver's License Division (Division) on your drivers after June 1, 2000. Attached is a letter from Randy Campbell, Records Manager at the Division, stating that counties have the right to access MVRs of employees under the new law.

According to Mr. Campbell, the Division has classified all records as "private" under the Utah Government Records Access and Management Act (GRAMA). According to the provisions of GRAMA, specifically Utah Code Annotated §63-2-206(2)(a), protected records under GRAMA may be provided to political subdivisions of the state (such as counties) if the "record is necessary to the performance of the requesting entity's duties and functions." Since UACIM is a governmental entity, counties may also share the information with UACIM.

Mr. Campbell also assures us that governmental entities, such as counties and UACIM, will be able to continue to receive MVRs that contain the driver's personal information under U.S.C. Title 18, Section 2721(b)(1). This subsection of the federal Driver's Privacy Protection Act, which is cited in the new language of the Utah Code, is entitled "Permissible Uses" and states that personal information can be disclosed "for use by any government agency."

In Mr. Campbell's letter he notes that MVRs can be obtained directly from the Division by calling (801) 965-4437, or over the internet by registering with e-Utah at (801) 983-0275. Customer service at the Division is equipped to handle requests for a large number of MVRs. Of course, you can continue to request information from your local office. If your local office has any questions regarding your ability to receive MVRs, tell them that counties are entitled to receive the information under the government provisions of GRAMA and the federal Driver's Privacy Protection Act. If they have any further questions, have them call Mark Panos (801) 964-4483, or Randy Campbell (801) 965-4802 at the Utah State Driver's License Division.

If you have any questions or concerns regarding MVRs, please feel free to give me a call.

Sincerely,

Shawn M. Guzman,  
UACIM





# State of Utah

## DEPARTMENT OF PUBLIC SAFETY DRIVER LICENSE DIVISION

**Michael O. Leavitt**  
Governor  
**Craig L. Deardon**  
Commissioner  
**Ferris E. Groll**  
Deputy Commissioner  
**Richard A. Greenwood**  
Deputy Commissioner

**David A. Beach**  
Director

P.O. Box 30560  
Salt Lake City, Utah 84130-0560  
(801) 965-4437 FAX (801) 965-4496

RECEIVED JUN 13 2000

**Rod Ashby**  
Deputy Director  
**G. Barton Blackstock**  
Bureau Chief  
Driver Services Bureau  
**K.J. "Skip" Nielsen**  
Bureau Chief  
Records Bureau

June 8, 2000

Utah Association of Counties Insurance Mutual  
Attn: Shawn Guzman  
5397 So. Vine St.  
Salt Lake City, UT 84107

Dear Mr. Guzman,

As per our telephone conversation, I am providing you with the Utah Driver License Division's position regarding federal and state privacy laws and how it pertains to county government.

Effective June 1, 2000, individual driving records (MVR's) are protected from public disclosure for privacy reasons in accordance with the federal Driver Privacy Protection Act of 1994 (DPPA). MVR's are released to qualified requesters in accordance with the DPPA. In order to receive an MVR, the requester must declare one or more permissible uses within the DPPA under which the requester is qualified to receive the information. Government agencies are a permissible use requester under permissible use #1. A list of permissible uses is attached.

MVR's may be obtained by government agencies free of charge by contacting a driver license office, customer service at 801-965-4437, or e-Utah at 801-983-0275. e-Utah is a private company contracted by the state to provide MVR's interactively through the Internet for permissible users. A contract and subscription application must be submitted in order to use this service.

In addition, effective June 1, 2000, division records contained in its driver database (outside of the MVR) have been classified 'private' under the Government Records Access Management Act (GRAMA). The division may disclose a 'private' record to another government entity, as provided by Section 63-2-206 of the Utah Code (Sharing Records).

I hope this letter will be useful to you. You may contact me at 965-4802 if you need additional information.

Sincerely,

Randy Campbell, Manager

RC:jm





## **UACIM TRAINING PRIORITIZATION**

### Losses Ranked by Department

1.	Law Enforcement	43.40%
2.	Administration	26.50%
3.	Public Works	20.24%
4.	Social Services	2.98%
5.	Public Safety	2.44%
6.	Miscellaneous	2.0%
7.	Library	.96%
8.	Health	.73%
9.	Landfill	.65%
10.	Water/Sanitation	.10%

TOTAL: 100.00%

### Losses Ranked by Claim Type

1.	All Auto	36.73%
2.	Civil Rights	28.47%
3.	G.L.	17.88%
4.	E & O	9.12%
5.	All Risk Building (excluding fire)	3.87%
6.	All Fire	2.0%
7.	All Other*	1.76%

TOTAL: 99.83%

**Based on the above statistics, the following areas should be ranked as priorities:**

1. All Auto -Including Public Works and Law Enforcement.
2. Law Enforcement Activities -Including Jails.
3. Personnel -Including Elected Officials, Law Enforcement, and Public Works.
4. Planning & Zoning (often an E&O claim).
5. Building/Property Inspections (includes GL Bodily Injury, GL Property Damage, GL claims).

**Current training offered by Mutual:**

1. Auto:
  - a) Defensive Driving Course -National Safety Council four-hour course.
  - b) POST -Small Agency Skills Workshop for law enforcement personnel.
  - c) T<sup>2</sup> -Mutual has provided training and sponsored training for public works (road departments) in conjunction with the Utah T<sup>2</sup> Center.

Possible Co-sponsors:  
URMMA, POST, Utah T2 Center

2. Law Enforcement:
  - a) Utah Sheriff's Association Annual Training Conference -Mutual donates to conference and participates in training.
  - b) Utah Jail Commander's Association -Mutual has assisted in writing model policies.
  - c) Training on sexual harassment and Title VII has been conducted in many Sheriff's Offices. POST credit has been given for the training.
  - d) Ongoing advice on issues as needed.

Possible Co-sponsors:  
USA, UJCA (more in-depth training with mid and upper level management),  
POST (additional legal training, etc.), Department of Corrections.

## **UACIM TRAINING PRIORITIZATION**

### **3. Personnel:**

- a) Personnel training has been provided in conjunction with URMMA. Training in the areas of employee discipline and documentation, Title VII, and other areas of personnel have been provided either at the county or through the annual personnel workshop. Training has been conducted with affiliate groups.
- b) Ongoing training on issues as needed.

Possible Co-sponsors:  
URMMA, AOGs, UAC

### **4. Planning and Zoning:**

- a) Participated with URMMA in a land use issues and legal update workshop—no ongoing training.

Possible Co-sponsors:  
URMMA, University of Utah, Utah Chapter APA

### **5. Building/Property Inspections:**

- a) Have conducted inspections in past in conjunction with our excess carriers. Emphasis has evolved from building/property inspections to more emphasis on law enforcement, personnel issues, and driver training. Inspections will continue to be made on an annual basis.

Possible Co-sponsors:  
Reinsurers



ARTHUR J. GALLAGHER  
RISK MANAGEMENT SERVICES, INC.  
NATIONAL PUBLIC ENTITY DIVISION

June 15, 2000

Mr. Brett Rich  
Utah Association of Counties Ins. Mutual  
5397 South Vine St.  
Salt Lake City, UT 84107

RE: Reliance Insurance Company  
A.M. Best's Rating Change

Dear Brett:

Effective June 12, 2000, A.M. Best's announced it downgraded the claims paying ability of Reliance Insurance Group from A- (Excellent) to B++ (Very Good). Reliance Insurance Company is in that group.

B++ and B+ (Very Good) ratings are considered "Secure" ratings by A.M. Best's and are assigned to companies, which in their opinion have a good ability to meet their obligations to policyholders over a long period of time. B and B- (Fair) ratings or below are classified by A.M. Best's as "Vulnerable" ratings.

Enclosed is the following information on this carrier for your review:

First and Briefs: A. M. Best Downgrades Reliance to B++ from A-

Our company standards recommend the use of A- VI or better A.M. Best's rated markets, but we realize that market availability can be limited or unavailable for some of our clients. However, we will endeavor to find acceptable replacements if so instructed. Should you elect to replace coverage mid-term, a short rate premium cancellation penalty may be charged by the carrier.

We will continue to monitor the situation and will keep you apprised of any important developments.

Best regards,

ARTHUR J. GALLAGHER & CO.





June 12, 2000

A.M. BEST DOWNGRADES RELIANCE TO B++  
FROM A-



Best's News via NewsEdge Corporation : OLDWICK, N.J. (BestWire) - A.M. Best Co. has downgraded the financial strength rating of Reliance Insurance Group, New York, to B++ (Very Good) from A- (Excellent). The property/casualty group's rating remains under review with developing implications pending the finalization of the purchase agreement between Leucadia National Corp., New York, and Reliance Group Holdings Inc. The downgrade applies to the group's 13 domestic members, led by Reliance Insurance Co.

A.M. Best's rating action on Reliance follows an evaluation of the group's worse-than-expected first quarter underwriting results and unfavorable operating trends.

The downgrade reflects the group's high operating leverage, weakened balance sheet liquidity, unfavorable underwriting results, above-average loss reserve risk and declining business persistency trends in many of its commercial specialty units. A.M. Best expects that Reliance's unfavorable 2000 reported operating results will continue and the group will have difficulty returning to its historic profitability in the intermediate term. Finally, Reliance's capital strength falls moderately below A.M. Best's A- standard, despite the recent sale of the group's surety unit, which will boost its statutory surplus by approximately \$300 million.

Prior to 1999, the group had reported consistently strong underwriting results—with a four-year combined ratio of 105—which had compensated for Reliance's higher operating and asset leverage and below-average balance sheet liquidity. However, Reliance's recent operating trends have turned unfavorable, accentuated by market concerns over the group's financial stability stemming from its involvement with Unicover, its substantial reserve additions in the third quarter of 1999 and looming holding company debt obligations. Looking forward, A.M. Best expects Reliance's operating earnings will be constrained by ongoing price competition and reduced business persistency in many of the group's more profitable commercial specialty units as well as the absence of earnings from its highly profitable fidelity and surety operations following their recent sale.

A.M. Best is encouraged by the number of initiatives taken by Reliance's management group to turn around operations and profitability; however, it believes these actions will not produce substantial improvements to reported underwriting results until 2001. Management's actions include: discontinuing unprofitable businesses; establishing a dedicated run-off unit to manage approximately \$800 million of run-off reserves; reducing expenses through the integration of its standard and specialty commercial divisions; and selling non-core units. A.M. Best also expects that Reliance will purchase additional reinsurance protection to mitigate against material loss reserve development and earnings volatility. These stabilizing measures, unfortunately, will depress investment earnings in the near-term.

Overall, A.M. Best believes Reliance's corrective actions are prudent and should improve long-term policyholder security. Both Reliance and its prospective parent Leucadia, recognize that the

property/casualty insurance operations need to be downsized and aligned with its constrained capital base. Accordingly, Reliance's rating remains in Best's Secure Rating category.

A.M. Best has met with Leucadia management and is satisfied that Leucadia's holding company has considerable liquidity and financial flexibility to repay or refinance Reliance's debt obligations--over \$500 million of which mature later this year. However, A.M. Best recognizes that the announced transaction carries greater risk of noncompletion than most definitive agreements. In that regard, Leucadia is in the early stages of conducting its due diligence and can unilaterally cancel the merger agreement for a variety of reasons during a defined due diligence period, which is expected to end in late June.

If the announced transaction closes successfully, Reliance's rating will stabilize in the Very Good range. However, if the transaction is not consummated in a timely manner and satisfactory arrangements for debt refinancing are not made, A.M. Best would expect to further downgrade Reliance's rating. A.M. Best will continue to carefully monitor Reliance's financial situation and make rating adjustments accordingly.

In a separate rating action, A.M. Best affirmed the A- (Excellent) financial strength rating of Reliance National Insurance Co. (Europe) Ltd. and changed its under review status to negative. The action is based on the company's strong stand-alone capitalization and operating profitability. Its negative under review status reflects the weak financial flexibility of its parent as well as uncertainty associated with its strategic standing in the group pending the potential purchase by Leucadia.

BN-NJ-06-08-00 1603ET #33219

<<Best's News -- 06-08-00>>

[06-10-00 at 11:09 EDT, Copyright 2000, A. M. Best, File: m0609000.3be]